

BlackRock

BlackRock ESG Aware Asset Allocation Index Series Methodology

PUBLICATION DATE: 2020

PRODUCED AND MAINTAINED BY:
BLACKROCK INDEX SERVICES, LLC
55 EAST 52ND STREET
NEW YORK, NY 10055

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Introduction

The BlackRock ESG Aware Asset Allocation Indices (the “Series”) consists of four indices measuring the performance of a weighted basket of Exchange-Traded Funds (each an “ETF” and together, the “ETFs”) that invest primarily in companies or issuers exhibiting positive Environmental, Social and Governance (“ESG”) characteristics in distinct asset classes.

Each Index in the Series includes the following features:

1. The Equity Basket provides exposure to developed and emerging market equities and holds ETFs that emphasize companies exhibiting positive ESG characteristics. This is achieved through semi-annual rebalancing of the equity allocation to four equity ETFs. The index is constructed such that the relative weights of the equity ETFs at each rebalance are consistent with the relative U.S. dollar free float-adjusted index market capitalizations of each ETF’s Reference Index. The four equity ETFs are:
 - a. iShares ESG MSCI USA ETF
 - b. iShares ESG MSCI USA Small-Cap ETF
 - c. iShares ESG MSCI EAFE ETF
 - d. iShares ESG MSCI EM ETF
2. The Fixed Income Basket provides exposure to an ETF that holds U.S. dollar denominated, investment-grade bonds from issuers generally evaluated as having positive ESG practices, while exhibiting risk and return characteristics similar to those of the broad U.S. dollar-denominated investment-grade bond market. This is achieved through semi-annual rebalancing to the iShares ESG U.S. Aggregate Bond ETF.
3. Each index is rebalanced semi-annually to realign index constituent weights with pre-determined equity and fixed income allocations. The allocations reflect the unique risk profile of each index:

Index	Equity Allocation	Fixed Income Allocation
BlackRock ESG Aware Conservative Allocation	30%	70%
BlackRock ESG Aware Moderate Allocation	40%	60%
BlackRock ESG Aware Growth Allocation	60%	40%
BlackRock ESG Aware Aggressive Allocation	80%	20%

Index Constituents are comprised of iShares® ETFs which may provide liquid, transparent and cost-effective building blocks that can be used in working toward the target objectives.

For additional Governance and Methodology details including usage and licensing opportunities for the BlackRock Indices, please contact BLKIndexServices@blackrock.com.

Definitions

Business Day – Refers to a day when the New York Stock Exchange is open for regular trading.

Closing Price with respect to an Index Constituent means the closing price for such Index Constituent as reported on its Exchange, or its successor.

Equity Allocation – Unique to each index in the Series, a fixed weight is assigned to the Equity Basket used in index construction to scale the Equity Basket Target Weights. The Equity Allocation and Fixed Income Allocation together sum to 1.

Equity Basket – The Equity ETF constituents of the Index.

Equity Basket Target Weights – Common to all indices in the Series, the Target Weight of each ETF in the Equity Basket is determined during index construction prior to scaling by the Equity Allocation. These weights sum to 1 and are observed on the Target Weight Determination Day.

Reference Index – The Index associated with each ETF in the Equity Basket used in index construction to derive Equity Basket Target Weights from free float-adjusted index market capitalization data.

Exchange – Means the primary exchange on which shares of an ETF are listed.

Fixed Income Allocation – Unique to each index in the Series, a fixed weight is assigned to the Fixed Income Basket used in index construction to scale the Fixed Income Basket Target Weights. The Fixed Income Allocation and Equity Allocation together sum to 1

Fixed Income Basket – The Fixed Income ETF constituent of the index.

Fixed Income Basket Target Weights – Common to all indices in the Series, the Target Weight of each ETF in the Fixed Income Basket used during index construction prior to scaling the Fixed Income Allocation. These weights sum to 1.

Index Administrator – Means BlackRock Index Services, LLC being the entity responsible for the production and maintenance of this Methodology and the administration and calculation of the Index.

Index Constituents – Means each of the ETFs in the index.

Index Pro-Forma Shares – Unique to each index in the Series, the forward-looking shares of each ETF in the index, computed during index construction and used to determine the Index Rebalance Weights.

Index Rebalance Weights – Unique to each index in the Series, the weights of each ETF effective after the market close on the day prior to the Rebalance Effective Day.

Index Scaled Target Weights – Unique to each index in the Series, the combined Equity Basket Target Weights and Fixed Income Basket Target Weights after multiplying the Equity Basket by the Equity Allocation and the Fixed Income Basket by the Fixed Income Allocation. These weights sum to 1 and are observed on the Target Weight Determination Day.

Index Subscriber – Is a person or entity that purchases Index determination services from the Index Administrator and hence is the licensee of the Index.

Index Website – Accessed via <https://www.blackrock.com/investing/products/blackrock-index-services> (and may be updated by the Index Administrator from time to time)

Initial Data Start Date (“IDSD”) – 23 April 2020.

Market Disruption Events – Occurs when data is not sufficiently available or able to accurately and reliably represent the market or economic reality. Additional details are available upon request in the Error and Event Handling Policy document.

Rebalance Effective Day – One business day following the last Business Day of April and October.

Return – Calculated as the relative change in levels between two time periods, expressed in units of 1 (i.e. 0.01 corresponds to a 1% change).

Target Weight Determination Day – 5 business days prior to the last Business Day of each April and October.

Total Return – Total return of the index calculated using both price and income returns of constituents and assuming reinvestment of dividends back into the index.

Index Objectives

BlackRock ESG Aware Conservative Allocation Index

The BlackRock ESG Aware Conservative Allocation Index is designed to measure the performance of a portfolio composed of equity and fixed income iShares® ESG ETFs intended to represent a conservative risk profile with a 70% allocation to fixed income and 30% allocation to equities.

BlackRock ESG Aware Moderate Allocation Index

The BlackRock ESG Aware Moderate Allocation Index is designed to measure the performance of a portfolio composed of equity and fixed income iShares ESG ETFs intended to represent a moderate risk profile strategy with a 60% allocation to fixed income and 40% allocation to equities.

BlackRock ESG Aware Growth Allocation Index

The BlackRock ESG Aware Growth Allocation Index is designed to measure the performance of a portfolio composed of equity and fixed income iShares ESG ETFs intended to represent a growth risk profile with a 60% allocation to equities and 40% allocation to fixed income.

BlackRock ESG Aware Aggressive Allocation Index

The BlackRock ESG Aware Aggressive Allocation Index is designed to measure the performance of a portfolio composed of equity and fixed income iShares ESG ETFs intended to represent an aggressive risk profile with an 80% allocation to equity and 20% allocation to fixed income.

Index Eligibility Criteria

Each Index in the Series is composed of iShares® ETFs that are managed, distributed and sponsored by subsidiaries of BlackRock, Inc. The Index Services Governance Committee (“**ISGCo**”) has been established by BlackRock, Inc. to provide independent oversight of the Index Administrator in accordance with the International Organization of Securities Commissions Principles on Financial Indexes (“**IOSCO Principles**”).

The iShares® ETFs comprising the Index are:

Equity Basket ETFs (each an “**Equity ETF**” and together the “**Equity ETFs**”)

- ESGU – iShares ESG MSCI USA ETF
- ESML – iShares ESG MSCI USA Small-Cap ETF
- ESGD – iShares ESG MSCI EAFE ETF
- ESGE – iShares ESG MSCI EM ETF

Fixed Income Basket ETFs (each a “**Fixed Income ETF**” and together the “**Fixed Income ETFs**”)

- EAGG – iShares ESG U.S. Aggregate Bond ETF

Index Construction

Each index rebalances semi-annually with new constituent weights taking effect after the market close on the last business day of April and October. These new weights are generated according to the index construction rules described in this section.

The index construction process results in:

1. Aligning the Equity ETF weights and Fixed Income ETF weights with the Equity Allocation and Fixed Income Allocation stated in Table 1 below

2. Setting the relative weights within the Equity Basket to mirror the relative free float-adjusted index market capitalizations, expressed in U.S. dollars, of the ETF Reference Indices. See Table 2 for the Reference Indices.

Equity and Fixed Income Allocations

Each index in the Series targets a unique level of exposure to equity and fixed income. The ESG Aware index and its corresponding Equity and Fixed Income Allocation is set forth in Table 1.

Index	Equity Allocation	Fixed Income Allocation
BlackRock ESG Aware Conservative Allocation	30%	70%
BlackRock ESG Aware Moderate Allocation	40%	60%
BlackRock ESG Aware Growth Allocation	60%	40%
BlackRock ESG Aware Aggressive Allocation	80%	20%

Table 1. Equity and Fixed Income Allocations

Equity ETF Reference Indices

Each Equity ETF is associated with the Reference Index set forth in Table 2. The Reference Index corresponds to the parent index of each ETF's benchmark.

ETF Ticker	ETF	Reference Index
ESML	iShares ESG MSCI USA Small-Cap ETF	MSCI USA SMALL CAP Index
ESGU	iShares ESG MSCI USA ETF	MSCI USA Index
ESGD	iShares ESG MSCI EAFE ETF	MSCI EAFE Index
ESGE	iShares ESG MSCI EM ETF	MSCI Emerging Markets Index

Table 2. Equity Basket Reference Indices

Index Construction Steps

In advance of each Rebalance Effective Day, the index is constructed according to the following steps:

Step 1. Compute Equity Basket Target Weights and Fixed Income Basket Target Weights

- a) Equity Basket Target Weights are determined using the free float-adjusted Index Market Capitalizations of each ETFs Reference Index.
- b) The single fixed income ETF is assigned the Fixed Income Basket Target Weight of 1.

Step 2. Compute Index Scaled Target Weights

- a) Scale the Equity and Fixed Income Basket Target Weights by the Equity and Fixed Income Allocations, respectively.

Step 3. Calculate Index Pro-Forma Shares

- a) Convert Index Target Weights into Index Pro-Forma Shares using the ETF closing prices as of the Target Weight Determination Day.

Step 4. Compute Index Rebalance Weights

- a) After the market close on the business day immediately prior to the Rebalance Effective Day, convert Index Pro-Forma Shares into Index Rebalance Weights. The Rebalance Weights are applicable to the index calculation on the Rebalance Effective Day.

Index Construction Step Details

Step 1.

a) Equity Basket Target Weights

Compute Equity Basket Target Weights using the market capitalization of each Equity ETF's Reference Index on the Target Weight Determination Day.

1. For each ETF in the Equity basket, calculate the ETF's weight:

$$w_i^{EQ}(t) = \frac{m_i^{RI}(t)}{\sum_{i=1}^n m_i^{RI}(t)}$$

Where:

$w_i^{EQ}(t)$: is the Equity Basket Target Weight for the i^{th} Equity Basket ETF

$m_i^{RI}(t)$: is the free float-adjusted index market capitalization, expressed in U.S. dollars, for the Reference Index of the i^{th} ETF as of the Target Weight Determination Day

n : is the number of ETFs in the Equity Basket

t : is the Target Weight Determination Day

b) Fixed Income Basket Target Weights

Compute Target Weights for all ETFs in the Fixed Income Basket.

1. Assign the entire Fixed Income Basket Weight to the single Fixed Income ETF:

$$w^{FI} = 1$$

Where:

w^{FI} : is the Fixed Income Basket Target Weight for the Fixed Income ETF

Step 2.

a) Index Scaled Target Weights

Compute Index Scaled Target Weights by scaling the Equity Basket Target Weights and Fixed Income Basket Target Weights by the Equity Allocation and Fixed Income Allocation, respectively.

1. For each Index j in the Series, compute the Index Scaled Target Weights for each ETF in the Equity Basket:

$$w_{i,j}^{S-EQ}(t) = a_j^{EQ} * w_i^{EQ}(t)$$

Where:

$w_{i,j}^{S-EQ}(t)$: is the Index Scaled Target Weight for the i^{th} Equity ETF and the j^{th} Index

$w_i^{EQ}(t)$: is the Equity Basket Target Weight for the i^{th} ETF

a_j^{EQ} : is the Equity Allocation for the j^{th} index in the Series, as set forth in Table 1

t : is the Target Weight Determination Day

2. For each Index j in the Series, compute the Index Scaled Target Weight for the Fixed Income ETF:

$$w_j^{S-FI} = a_j^{FI} * w^{FI}$$

Where:

w_j^{S-FI} : is the Index Scaled Target Weight for the Fixed Income ETF and the j^{th} Index

w^{FI} : is the Fixed Income Basket Target Weight for the Fixed Income ETF

a_j^{FI} : is the Fixed Income Allocation for the j^{th} index in the Series, as set forth in Table 1

- Together, $w_{i,j}^{S-EQ}$ and w_j^{S-FI} compose the Index Scaled Target Weights w_j^S for each index j .

Step 3.

a) Index Pro-Forma Shares

Convert Index Scaled Target Weights into Index Pro-Forma Shares using the closing price of each ETF on the Target Weight Determination Day.

- For each Index j in the Series, compute the Index Pro-Forma Shares:

$$s_{i,j}^{PF}(t) = \frac{w_{i,j}^S(t)}{p_i(t)}$$

Where:

$s_{i,j}^{PF}(t)$: is the Index Pro-Forma Shares for the i^{th} ETF and the j^{th} Index

$w_{i,j}^S(t)$: is the Index Scaled Target Weight for the i^{th} ETF and the j^{th} Index

$p_i(t)$: is the closing price of the i^{th} ETF on the Target Weight Determination Day

t : is the Target Weight Determination Day

- In the five-business day period starting from the Target Weight Determination Day to one business day prior to the Rebalance Effective Day, Index Pro-forma Shares are adjusted to reflect ETF Share splits (see the Maintenance & Publication section for details), as needed.

Step 4.

a) Index Rebalance Weights

After market close on the last Business Day of April and October, convert Index Pro-Forma Shares into Index Rebalance Weights using the closing price of each ETF on that day.

- For each Index j in the Index Series, compute the Index Rebalance Weights:

$$w_{i,j}^R(t) = \frac{s_{i,j}^{PF-Adj}(t) * p_i(t)}{\sum_{i=1}^n s_{i,j}^{PF-Adj}(t) * p_i(t)}$$

Where:

$w_{i,j}^R(t)$: is the Rebalance weight for the i^{th} ETF and the j^{th} Index, calculated after market close on day t , and applicable to the index calculation on the Rebalance Effective Day

$s_{i,j}^{PF-Adj}(t)$: is the Index Pro-Forma Shares for the i^{th} ETF and the j^{th} Index, as determined on the immediately preceding Target Weight Determination Day and adjusted for ETF Share splits as described in Step 3

$p_i(t)$: is the closing price of the i^{th} ETF one business day prior to the Rebalance Effective Day

n : is the number of ETFs in the Index

t : is one business day prior to the Index Rebalance Effective Day

For index j , the Rebalance Weights $w_{i,j}^R(t)$ is the opening weights for the index return calculation on the Rebalance Effective Day.

Data Sources

Data Provider	Data Point
Refinitiv	ETF Prices, returns and cash dividends
MSCI	Reference Index free float-adjusted index market capitalization

Index Maintenance & Publication

The inception date of the Index is May 11, 2020, when the base Index level was set to 1000. Index values are calculated once every Business Day at the close of the applicable Business Day.

The Index value is calculated in U.S. dollars and published to the second decimal place.

ETF Dividends – The Index assumes ETF dividends are reinvested back into the index such that index constituent weights remain unchanged. Dividend reinvestment occurs after the close of trading on the ex-dividend date.

ETF Share Split – Index shares are multiplied by the split factor. Price is divided by the split factor.

Index Rebalance Timeline

Index Pro-Forma Shares are computed semi-annually in advance of each Rebalance and made available to subscribers on the first business day following the Target Weight Determination Day. Rebalance Weights are calculated and take effect after market close one business day prior to the Rebalance Effective Day.

For the six-month period after each Rebalance, changes in ETF prices cause Index constituent weights to drift. Index constituent weights are realigned with a new set of Index Rebalance Weights at the next semi-annual rebalance.

Index Calculations

Each Index is calculated on each business day based on the Total Return of the constituents:

$$R^{TR}(t) = \sum_{i=1}^n \left[\left(\frac{P_i(t) + D_i(t)}{P_i(t-1)} - 1 \right) \times W_i(t-1) \right]$$

where:

$R^{TR}(t)$ = Total return from close of day $t - 1$ to close of day t

n = Number of ETFs in the index

$P_i(t)$ = Closing Price of the i^{th} ETF at close of day t , as provided by the Data Source

$D_i(t)$ = Gross cash dividends of the i^{th} ETF on day t , as provided by the Data Source

$P_i(t - 1)$ = Closing Price of the i^{th} ETF at close of day $t - 1$, as provided by the Data Source

$w_i(t - 1)$ = Weight of the i^{th} ETF after the close on day $t - 1$

t = Business Day on which the Index is calculated

The Index level for a given Business Day will be computed and published after market close using the following formula:

$$Index(t) = (1 + R^{TR}(t)) * Index(t - 1)$$

In the event of half trading days, the Index level will be calculated in the same way as a full trading day where the Closing Price is used.

All indices in the Index Series are calculated in U.S. dollars.

Governance

The activities of the Index Administrator are overseen by the Index Services Governance Committee (“ISGCo”). ISGCo provides oversight for activities pertaining to the calculation and dissemination of BlackRock proprietary Indices and ensure adherence to any policies, procedures and business practices relating to the activities of the Index Administrator. This group is responsible for:

- Providing oversight of activities of the Index Administrator.
- Overseeing adherence to processes, policies and procedures.
- Supervising related functions, including reviewing operating errors and audit findings.
- Coordinating the activities of the sub-committees.

ISGCo has two Sub-Committees: (1) Methodology and Operations (“M&O”) Sub-Committee and (2) Regulatory and Compliance (“R&C”) Sub-Committee with each committee meeting at least quarterly.

The M&O Sub-committee performs the following:

- Review and approve new indexes.
- Review and approve proposed changes to index methodologies.
- Review and approve Methodology Change Policy document annually.
- Review adherence to policies, procedures and processes.
- Review issues and incidents involving external, third-party service providers.
- Review and provide guidance surrounding ad-hoc operational issues.
- React to regulatory changes and inquiries as appropriate.
- Review and respond to Market Disruption Events.
- Formulate and coordinate any public announcements as a result of above listed items.
- Report results of meetings and activities to the ISGCo.

The R&C Sub-committee performs the following:

- Oversee adherence to relevant parts of policies and procedures related to the activities of the Index Administrator.
- Make recommendations, where appropriate, to update related policies and procedures.
- Review proposed amendments to policies and procedures.
- Review reports and metrics the committee deems necessary to monitor adherence to policies and procedures.
- Assess any material exception or concern as it relates to compliance with policies and procedures and potential conflicts of interest. Escalate any identified matters to appropriate Legal and Compliance personnel.
- Report results of meetings and activities to the ISGCo.

For additional Governance and Methodology details including usage and licensing opportunities for the BlackRock Indices, please contact BLKIndexServices@blackrock.com.

Appendix

- 1. New York Stock Exchange** - The Indices will follow the schedule which can be obtained on <https://www.nyse.com/markets/hours-calendars>.

Below are the days when the Indices are not calculated, and the Index values are calculated and in such cases posted the next Business Day (following the holiday).

New Year’s Day

Martin Luther King Day
Presidents Day
Good Friday
Memorial Day
U.S. Independence Day
Labor Day
Thanksgiving Day
Christmas Day

2. Index Methodology Changes

Index methodologies are subject to oversight by the M&O Sub-committee. This sub-committee is primarily responsible for reviewing existing methodologies (at least annually), newly proposed methodologies (prior to Index launch), and ad-hoc changes when requested to existing methodologies to ensure they correctly measure the economic realities of the market(s) they are intended to represent and the objectives of the Index.

For example, if any ETF is delisted by its principal Exchange, this would constitute a Methodology change and the BIS Index Methodology Change policy would be enforced.

The Index Administrator will notify Index Subscribers via email or on the Index Administrator Website of the proposed updated methodology change with the following details included:

- Description of the change to the Index Methodology
- Proposed date the change is effective
- Any impact to the Index construction process
- Date by which feedback will be collected from the Index Subscribers

Once the feedback period has ended the Index Administrator will assess all comments and share the summary comments as well as the Index Administrator response to those comments with Index Subscribers via email. The Index Administrator reserves the right to move forward (or not) with the change based on their discretion. The Index Administrator may also choose to consult Index Subscribers after the feedback period if necessary. If it is determined by the committee that a change to the Index Methodology is appropriate, ISGCo and non-voting members of the Index Administrator will be notified of the change in writing via email by the committee Secretary. Comments will be recorded and stored by the Index Administrator. The Index Administrator will look to incorporate methodology changes in a reasonable period tied to the complexity of the change. Confirmed changes will be announced with sufficient time for Index Subscribers to make any necessary adjustments to their processes as well as any follow-on announcements they will need to make. When the updated methodology is released, an updated version of the Index Methodology document will also be made available on the relevant Index Administrator webpage.

The indices follow a rules-based methodology and more details pertaining to Methodology Changes can be made available upon request.

3. Error Correction Process

If an issue should arise with the Index due to incorrect or missing data, incorrect application of the index methodology, or incorrect calculation, the Index Administrator follows internal procedures to understand the impact to the Index. If an error is confirmed, the Index Administrator will issue an announcement via email or on the Index Administrator's website for a period until archived by the site and will keep a record and audit trail of the details of the errors and retain these records for at least five years from the date the error was announced. All errors will also be discussed in the ISGCo meetings to ensure that all steps have been taken to prevent the error from recurring.

In case an error is detected the historical weights of the Index Constituents will not change; the errors will be corrected on a go-forward basis. For complete clarity, the quantities implied by the

weights (prior to the error being corrected) of the Index Constituents, will not be adjusted. However, in the event the error results from the price of an ETF or Interest Rate value being incorrect and such error is detected within 5 Business Days of such error occurring, the Index Administrator, in consultation with Index Subscribers, will recalculate the Index values with the provision that the quantities implied by the weights (prior to the error being corrected) of the Index Constituents will not be adjusted. If the error is detected beyond 5 Business Days after such error occurred, the values will not be restated.

The Error and Event Handling Policy can be made available upon request.

4. Market Disruption Events

If on any Business Day it is determined by the Index Administrator that a Market Disruption Event occurs, or is continuing, then the Index Administrator will not calculate the Index on that day, and the Index Administrator will postpone calculation of the Index value until the next Business Day on which no Market Disruption Event occurs or is continuing. The Index Administrator shall resume calculating the Index value on the next Business Day on which no Market Disruption Event occurs or is continuing by using for the weight of each Index Constituent the weight computed after the close on the Business Day immediately preceding the first day of such Market Disruption Event

The Error and Event Handling Policy can be made available upon request.

5. Index Complaints

Complaints can be submitted, which seek clarity or proposed action relating to

- Index determination process
- Application of the methodology
- Market conditions or other changes impacting the index strategy

Complaints regarding the index must be submitted via email to BLKIndexServices@BlackRock.com

The complaint must include the:

1. The name of the Index;
2. The date of the issue;
3. A detailed description of how the issue impacts the Index;
4. Suggested turnaround time to resolve the issue to denote the priority of the matter.

An email response back to the submitter of the complaint will be managed in a timely fashion. The R&C Sub-Committee will review and investigate all complaints directly submitted to the Index Administrator and will escalate to the ISGCo at its discretion or at a minimum the complaint will be reviewed at the quarterly ISGCo meeting. If a member of the R&C Sub-Committee is directly involved in the complaint, then he/she will be recused from the complaint review. The relevant records concerning the complaint will be kept for a minimum period of five years, subject to applicable law or regulation. Any complaint resulting in a change to the Index will follow the Index Methodology Change process as outlined previously.

6. Index Cessation

Index Cessation Policy can be made available upon request

Disclaimer

The BlackRock ESG Allocation Indices (The “BlackRock Indices”) commenced ongoing calculation on **May 11, 2020**. BlackRock Index Services, LLC (“Index Services”), a subsidiary of BlackRock, Inc. designs, sponsors and publishes the BlackRock Indices for use in portfolio benchmarking, and portfolio management. The BlackRock Indices, allocations and data are subject to change.

The BlackRock Indices do not guarantee future income or protect against loss of principal. There can be no assurance that an investment strategy based on the BlackRock Indices will be successful. Indices are unmanaged, and one cannot invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through investable instruments (if any) based on that index. Index Services does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, exchange traded fund, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any Index Services' index (collectively, "Index Linked Investments"). Index Services makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. Index Services is not an investment adviser or fiduciary and makes no representation regarding the advisability of investing in any Index Linked Investments.

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Methodology version history

A list of versions and amendments to this Methodology is provided in the table below.

Version	Description	Date
1	Initial version	May 11, 2020